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Approved For Release 2001/03/06 : CIA-RDP78B04747A000400040024-8
Declass Review
by NIMA/DOD

NPIC/D-24-67

16 FEB 1967

MEMORANDUM FOR: Deputy Director for Intelligence

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SUBJECT : Request for Overrun of [REDACTED] from FY 1964 and
1965 Funds for [REDACTED] with [REDACTED]

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REFERENCE : Chief, Administrative Staff, O/DDI Memorandum dated
4 February 1964 on: "Approval of Research and
Development Activities."

1. This request involves utilization of residual FY 1964 and 1965 funds and therefore does not concern current year expenditures. The Budget and Financial Branch of NPIC has affirmed that FY 1964 and 1965 funds will be available for this overrun payment.

2. In 1964 and 1965, under a split funding arrangement, NPIC contracted with the [REDACTED]

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[REDACTED] for the design and fabrication of a Specific Format Chip Printer. This was a Cost-Plus-Incentive-Fee contract for [REDACTED]

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There was one change in scope under this contract in FY 1966, increasing the total contract amount to [REDACTED]. At the same time, the Procurement Division negotiated a Contract Ceiling Price of [REDACTED]

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The purpose of negotiating this ceiling price was to limit any possible overrun. If the contractor, through an overrun, reaches the negotiated ceiling price, the contract becomes a fixed price contract and the contractor receives nothing beyond the ceiling price and must complete the contract at his own expense.

3. On 3-4 January 1967, the NPIC technical monitor made a routine visit to the contractor's plant to determine progress. During that visit he was advised that there would be an additional two weeks required for testing beyond the contract delivery date of February 1967. This was agreed to on the basis that it would be at no cost to the government. When the contractor was queried as to the financial status of the contract, the technical monitor was advised that there was sufficient money remaining to complete, deliver, and test the equipment as contracted. On 10 February 1967 a phone call was received by the technical monitor from the contractor, asking him to attend a meeting at the contractor's local office on 13 February 1967 at 1100. When queried, the contractor stated the meeting was for the purpose of discussing an extension of the delivery date and additional funding. This was the first reference to any funding difficulties being encountered.

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GROUP 1
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3. At the meeting held on 13 February 1967 attended by representatives of [REDACTED] Office of Logistics, and NPIC, it was disclosed that the contractor had expended the entire contract amount (excluding fee) of [REDACTED]. When queried as to his reason for expending the entire contract amount, he stated that the established ceiling price of [REDACTED] was the figure he thought he had available under the terms of the contract. It is the opinion of NPIC and the Office of Logistics that this is not a valid excuse. The contract is nearing completion, with an estimated 12-14 weeks work yet remaining. Additional funding of [REDACTED] will bring the contract up to the ceiling price, forcing the contractor to complete work at his own expense. The Procurement Division feels that excessive time consumed now, in effecting this overrun payment, would result in grounds for renegotiation of a higher ceiling price. It is therefore imperative to expedite this payment in order not to give the contractor grounds for claiming more funds above the ceiling.

4. In order to maintain continuity in the final stages and to insure delivery of operable equipment, the Office of Logistics recommends that payment of this overrun be made. NPIC concurs with this recommendation.

5. In accordance with the authority delegated in paragraph 3 of the reference, it is requested that the overrun of [REDACTED] for the Specific Format Chip Printer be approved and charged against FY 1964 and 1965 funds.

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ARTHUR C. LUNDAHL

Director

National Photographic Interpretation Center

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APPROVE

[REDACTED]
Deputy Director for Intelligence

16 FEB 1967

DATE

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